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NATIONAL ASSOCIATION OF DEVELOPMENT ORGANIZATIONS

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July 17, 1996

The Honorable Reed Hundt
Chairman
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554

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Federal Communications Commission
Office of Secretary

Re: CC Docket No. 96-98
Ex-Parte Communication

Dear Mr. Chairman:

The organizations endorsing the enclosed white paper represent a variety of consumers and rate payers that have an interest in regulations now pending before the Federal Communications Commission that will govern interconnection agreements between the existing local telephone companies and new competitors for local telecommunication services. Our organizations welcome the advent of increased competition for local telephone services in ways that will lower costs and increase consumer choice. We endorse efforts by the Federal Communications Commission that will speed up the benefits of competition to all consumers. The enclosed white paper outlines our interests and concerns about this very important issue.

We believe that the primary target for new competitors for local telephone services will be the lucrative business markets in large urban centers. New competitors, particularly those that will enter the market simply by buying access to the existing network rather than building their own facilities, will be less interested in serving most residential customers or consumers in rural and other high cost areas. Consumers in lower income and more rural locations are not likely to see any competition, nor the benefits of competition, soon.

We are deeply concerned that efforts by the FCC to jump-start local telephone competition by requiring existing local telephone companies to unbundle and make available portions of their communications network at reduced prices may have disastrous consequences for many consumers. Such a policy may lead to a sudden and dramatic shifting of resources away from the communication networks that serve residential ratepayers and those serving rural areas to services that will only benefit the large telecommunications users in the business community. **The unintended consequence of such a policy may lead to greatly increased local residential phone rates, a decline in infrastructure investments and a resulting decline in the quality of residential phone service, and increased job layoffs by the telephone industry.**

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Federal Communications Commission

July 17, 1996

Page 2

We urge you to adopt regulations that will bring about competition in ways that continue the nation's commitment to universal service and providing all consumers access to advanced telecommunications services at affordable rates. Our white paper concludes with the following recommendations for the Commission to consider in the current rulemaking proceeding:

- The FCC and the states should act to assure that new interconnection agreements include provisions to adequately sustain national goals for universal service and allow all consumers access to advanced services at affordable rates.
- In crafting rules for interconnection, the FCC should measure those rules against the objective of accelerating the universal deployment of advanced infrastructure as defined in Section 706 of the Act.
- In order to protect the interests of the public, and to preserve universal and affordable access to telecommunications services, the Commission and the states should assure that the charges included within the interconnection agreements include a fair share of the embedded costs of a robust local telecommunications infrastructure. Without this assurance, the goal contained in Section 706 of the Telecommunications Act of providing high capacity, two-way communication networks as part of universal service could be lost.
- The FCC and the states should assure that the cost of interconnection and upgrading the local network are covered by those new competitors who are seeking interconnection and not the local rate payer.
- The Commission should recognize and incorporate the process of reaching interconnection agreements as suggested in the Act using negotiations between local phone companies and potential competitors with state-based arbitration where necessary.
- Oversight of the interconnection process should take place primarily at the state level, where historically regulators have been able to balance the competing interests of competitors and local companies, without rates skyrocketing for local service.

Sincerely,



Aliceann Wohlbruck
Executive Director
National Association of Development Organizations

Federal Communications Commission

July 17, 1996

Page 3

Organizations Endorsing the White Paper:

**Council of Chief State School Officers
Hispanic Association on Corporate Responsibility
National Association of Commissions For Women
National Association of Development Organizations
National Association of Secondary School Principals
National Council of Senior Citizens
National Hispanic Council on the Aging
National Latino Telecommunications Task Force
National Trust/Trustnet
United Seniors Health Cooperative
United Homeowners Association
Virginia Public Interest Coalition
World Institute on Disability**

**cc: Members: United States House of Representatives Commerce Committee
Members: United States Senate Commerce Committee
Mr. William F. Caton. Secretary, Federal Communications Commission**

TELECOMMUNICATIONS IN THE PUBLIC INTEREST

A Rate-Payer Perspective on the New World of Telecommunications

A Special White Paper Endorsed By:

**Council of Chief State School Officers
Hispanic Association on Corporate Responsibility
Massachusetts Assistive Technology Partnership
National Association of Commissions For Women
National Association of Development Organizations
National Association of Secondary School Principals
National Council of Senior Citizens
National Hispanic Council on the Aging
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United Seniors Health Cooperative
United Homeowners Association
Virginia Public Interest Coalition
World Institute on Disability**

July 1996

The American telecommunications industry is undergoing a striking transformation. Currently, the industry is changing from a stolid, heavily regulated monopoly to a more fully competitive, and less regulated dynamo that shows no signs of slowing down in the years ahead. For consumers and advocates of consumer interests, this transformation raises several questions: *How will these changes affect the prices we pay for services?; What services will we receive?; and How can we assure that the changes fulfill the public interest?* By "consumer," we mean residential telephone subscribers: urban and rural, young and old, singles and families, working and retired. We also mean those governmental, educational, and other institutions that rely on the existing telecommunications network.

In the Telecommunications Act of 1996, Congress attempted to set out a path that balanced the competing private and special interests while protecting public and consumer interests. Congress was clear about two fundamental purposes of the new Act: (1) to bring competition to all areas of telecommunication rapidly, especially for local phone service, and (2) to move toward a goal of advanced universal access to telecommunication networks and services at reasonable rates for all consumers. The Act goes on to encourage an accelerating definition of universal service in the years ahead. The Federal Communications Commission (FCC) is now responsible for drawing up the rules that will implement these seemingly contradictory objectives. The Act sets out an exceptionally short time table for the implementing regulations, which means that decisions will be made quickly.

Not surprisingly, all of the competing interests represented during the legislative process are now involved again, this time fighting over regulatory details. Today's local telephone companies, (often referred to as "incumbent local exchange carriers") are worried that the rules will be skewed in favor of their new competitors, and that they will unfairly lose their biggest customers as a result. Their competitors are also concerned about a "level playing field" as they try to carve out their own piece of the pie.

Right now, the FCC is considering regulations that will determine just how this all unfolds, and most importantly, who will pay for network upgrades and new services. There are two key proceedings. The first is on "interconnection" and "unbundling"--the rules governing how competitors are allowed to plug into the public network to offer competing local telephone services, and how much they will pay for that privilege. The second is on "universal service," the guarantee of access, regardless of income or location, to a core set of telecommunication services, and what services should be included.

The purpose of this paper is to look at the interconnection issue from a broad consumer perspective and to underscore certain basic principles that were contained in comments filed with the FCC in this proceeding by groups that have endorsed this paper. While there are many, many details of implementation, this paper focuses on the big picture: protecting consumer interests while making the transition to competition and afterwards. We will demonstrate that the current interconnection decisions will determine whether or not the rest of the Act works as it was intended; it is the fulcrum for the other major decisions. We illustrate how consumer and public interest objectives -- universal access to an advanced public

infrastructure regardless of income, location, or disability, and creation of high-paying jobs -- are at stake in what might otherwise appear to be arcane technical issues.

In order to implement competition as soon as possible while avoiding potential rate shock for consumers and to assure all consumers have access to advanced telecommunications services we have two fundamental messages:

- 1. Long distance companies should not be allowed to immediately stop paying access fees for use of the local telephone network. This has become an important source of revenue for the on-going maintenance and upgrading of the local phone network and helps offset prices of local phone service**
- 2. Rates established for new competitors to pay for interconnection of unbundled network elements and resold local exchange retail services with the existing telephone network should include a reasonable share of the joint and common costs of the network and a fair portion of the imbedded costs of building the existing system as part of the "cost plus reasonable profit" as specified in the Act.**

I. Why Should Consumers Care?

Telephone service is an essential lifeline to the world for most people; about 95% of households in the U.S. have phone service. For rural America, the telephone helps overcome geographic distances to transact business, maintain social connections, and allow quick response in emergencies. The same is true for older Americans and for people with disabilities for whom travel is difficult: the telephone is the critical connection to work, family, community, and emergency services.

Increasingly, consumers are relying upon the telephone for new and different purposes -- fax, voice-mail, and connection to the Internet. Using these media, consumers are setting up home businesses, taking classes, finding medical information, and communicating with their elected officials. As new telecommunication services are introduced, the possibilities will continue to expand. We must, therefore, assure that telephone service remains affordable as we move from today's public telephone network to a system of interconnected, high-capacity advanced networks.

Congress has chosen to make competition the new regulatory basis for the entire telecommunications industry. Congress's ultimate goal is to have companies eventually build new separate-but-connected networks that will compete with today's public telephone network, driving prices down and introducing new services. They called this "facilities-based competition": giving consumers the choice of several, distinct providers of telecommunication services over their own networks.

However, no competitor expects to enter the local telephone market by first building an all-new, separate, national network in the short term--it's too time-consuming and too costly to be

a competitive option. Instead, new entrants will need access to parts of the existing public network to offer their services. **From both a regulatory and a technical standpoint, the key to this transition is the rules about how competitors will plug-in to the local telephone network-- or inter-connect--and how they will pay for this interconnection.**

The long distance companies today pay billions of dollars for their right to use the local telephone network to connect their customers at the beginning and end of every long distance call; these are called "access charges." This money goes to the local telephone companies and helps cover the costs of maintaining the public telephone network. Access charges have been reduced in recent years and may need to be addressed again over the next year. However, now as we consider the rules for introducing local competition, some potential competitors think that the new rules should allow them to use the existing local network without paying any access charges. If that were the model, competitors would gain access to the local network and its customers without paying a fair share of the network's cost. This is inconsistent with the provisions of Sections 201 and 202 of the Communications Act of 1934, as amended.

The benefit of this is potentially lower prices for certain consumers. However, the danger is this: if some competitors are allowed to interconnect and use the public telephone network without paying a fair price for it, then the competitors' customers will be able to enjoy lower prices at the expense of the public network's customers. Investors will shift their resources to competitive networks, and the strength of the public network will slowly leach away. The winners will be those customers who present attractive market segments to competitors: businesses and upscale urban and suburban residences. The losers will be those customers who do not represent attractive market segments: people who use only basic services, and people in high-cost service areas. **Those individuals most vulnerable under this scenario include residential and business customers in rural America, many older Americans, persons with disabilities, and low-income households.**

Also vulnerable to a potential decline in the public switched network are institutional customers in government and education that depend on the existing network to provide services with the expectation for affordable access to advanced services in the future. These expectations will not be met without adequate resources to maintain the network, implement new technology, and provide for quality service.

It is therefore critical that regulations governing interconnection and establishing fair competition be crafted in ways to protect all consumers. If the FCC gets it wrong, the quality of the existing telephone network could seriously deteriorate and the cost of service for some residential consumers is likely to go up considerably. For advocates of consumer interests the goal is to maintain incentives so that access to advanced services is universally available at affordable prices. The regulations surrounding interconnection will have a fundamental impact on this goal. It is possible, with proper regulations in place, that incentives will exist for both deploying advanced networks and increasing competition.

II. How Did We Get To This Point?

A. The Telecommunications Act of 1996 and Its Goals

Congress passed the Telecommunications Act of 1996 in order to establish “a pro-competitive, de-regulatory national policy framework” that would govern the US telecommunications industry. The Act is designed to open up monopoly telecommunications markets to competitive entry and to promote greater competition in markets that are already open to competitors. Considerable emphasis is also placed on the role of the states in implementing key components of the Act recognizing the established role of state regulatory authorities. Underlying the Act is the assumption that competition can replace traditional economic regulations that have been used to manage the U.S. telecommunications industry. **However, Congress was explicit that this new policy must continue to protect the nation’s traditional telecommunications values: a robust public network, universal service, and affordable rates.**

B. A Quick History of Deregulation

1. AT&T Before the Break-Up

The move toward competition in telecommunications began decades ago with a succession of court cases against AT&T. Beginning in the 1960s, plaintiffs alleged that AT&T, the monopoly provider of local telephone service via its Bell Operating Companies, was using its control to quash competitors in the long-distance market by, for example, limiting the kinds of equipment that customers could connect to the AT&T network. Already “interconnection” was becoming an issue for regulators.

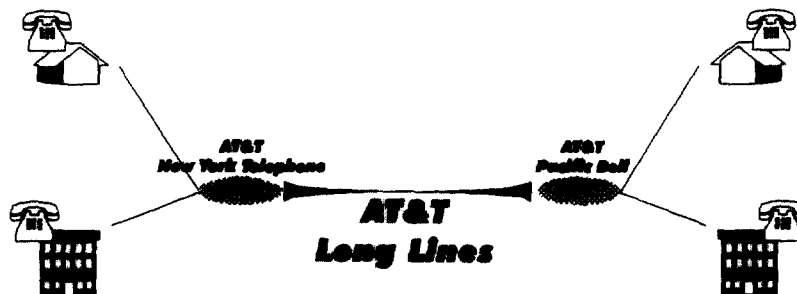


Figure 1: AT&T Before the Break-Up. Before 1984, companies that wanted to compete with AT&T in long-distance had to connect to the local network, which AT&T also controlled.

Eventually, AT&T and the Department of Justice negotiated an agreement that resulted in the break-up of AT&T. The 1984 break-up, or “divestiture,” separated AT&T from its local telephone operations. The local telephone companies were called “local Bell Operating Companies,” the long-distance company retained the AT&T name.

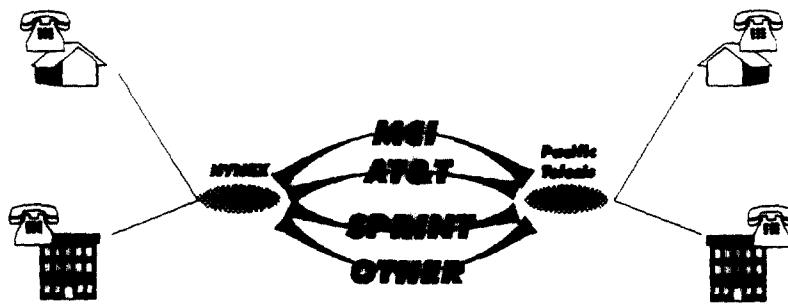


Figure 2: AT&T After the Break-Up. After 1984, companies that wanted to compete with AT&T in long-distance had to connect to the local network, which was controlled by the new Bell Operating Companies.

2. The Break-Up: Equal Access and Open Network Architecture

We have seen that policy makers were already wrestling with interconnection issues during the break-up of AT&T. To assure that long-distance companies—including the now-separate AT&T—could compete fairly, they established the concepts of “equal access” and “open network architecture.” Equal access meant that local telephone companies had to fix their networks so that customers of any long-distance carrier would only have to dial 11 digits in order to make a long-distance call.

Open network architecture, or ONA, was a second important concept. It said that local exchange companies had to make it easier for other companies to use elements of the local network for their own, competitive service offerings. This could happen through “unbundling,” making the local network more modular so that competitors could pick and choose which service elements they would buy, re-package or augment, and sell to their customers. Many industry and government groups were convened to hammer out how the unbundling would occur, what the pieces would be, how the pieces would be priced, and how the technical aspects of interconnection would be handled.

3. What Will the Industry Look Like Now?

Now that Congress has decided to open up the local telephone market to competition, interconnection is still the pressing issue. It is now up to the FCC and to state regulators to promulgate the rules that will encourage local competition.

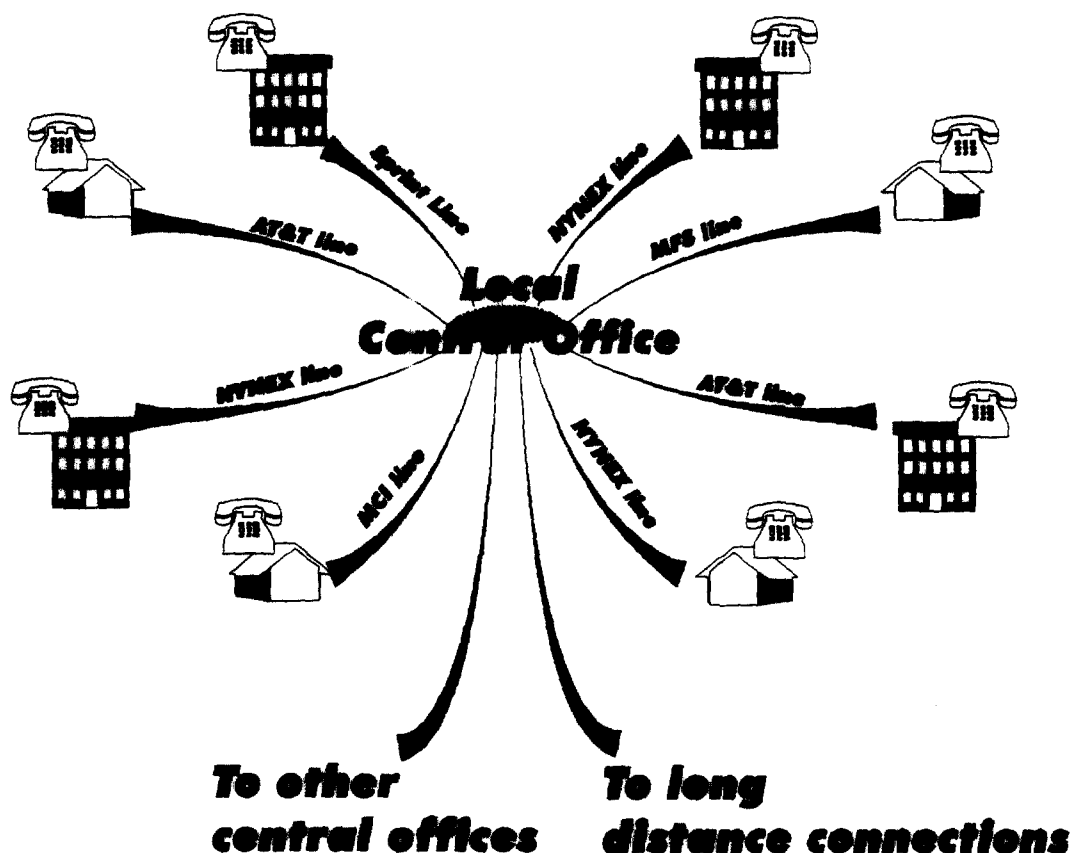


Figure 3: The public network as it is now emerging. With the Telecommunications Act of 1996, both the local and long-distance segments of the public telecommunications network are open to competition. Thus, competition will be extended into local calling areas.

III. What the FCC Must Decide

The FCC is currently formulating the federal rules that will govern interconnection. In general, the Telecommunications Act of 1996 gave the FCC a limited role, favoring private negotiations between the competitors over a host of new regulations. However, there are still some decisions that the FCC must make.

A. Jurisdiction.

The first decision is about jurisdiction. How involved should the FCC be in the negotiations between incumbent local telephone companies and the other companies that want to interconnect with them? The Telecommunications Act of 1996 (in section 252) said that the process should start with voluntary negotiations between the incumbent and the entrants. Negotiations between incumbents and competitors is clearly a benefit as it results in mutual agreements and minimal government intervention. If they cannot agree, the issue was to go to the state regulators, and ultimately to the courts.

Now the FCC is considering taking a more active role in interconnection negotiations. They may decide to set standards for the negotiation process, or even set national requirements for unbundling and pricing that all negotiators, and even state regulators, would have to follow. We feel strongly that the FCC should adhere to the intent of Congress, which was not to substitute one federal regulatory regime with another. The intent is to allow decisions to be made in the open, competitive marketplace as much as possible. However, we do feel that the FCC should clarify this issue for states by establishing national standards for the interconnection agreements that will avoid rate shock for consumers and maintain access to advanced services.

B. Who Pays, How Much?

The FCC will also decide how the costs of plugging in to the public network will be apportioned between the existing local telephone companies and those companies that want to compete with them. If the costs of accessing the public network are distorted to the disadvantage of the incumbent providers, then their shareholders will begin shifting their assets to where the returns are greater--to their competitors--and investment in the public network will be stifled. The incumbents will have no choice but to raise rates significantly, and their customers will be forced to subsidize the usage of competitors' customers. If the costs are shifted too heavily onto new entrants, then they will be unable to compete with the incumbents, and consumers will not receive the benefits of competition.

From a consumer perspective, it is paramount that we protect the quality and affordability of the public network until ALL consumers have choices for their local telephone service. This means that the FCC must balance its urge to see quick competition with its responsibility to consumers. Pricing arrangements must give incumbent local companies a fair return for their investments in the public infrastructure; otherwise, false economic signals are sent and public network customers will suffer.

C. Interconnection and Unbundling

The Telecommunications Act of 1996 requires incumbents to allow competitors to plug into their networks at "any technically feasible point," and to unbundle their network facilities and features so that competitors can choose among them. The FCC has a docket in which it will address the issues of technical feasibility and unbundling. Given the rapid rate of change in this industry it may be difficult for the FCC to formulate technical standards that would fit in all circumstances, for any length of time. We, therefore, recommend a jurisdictional solution to a technical problem: these decisions should remain, as much as possible, between the parties involved.

Although we have seemingly distinguished these matters into jurisdictional, pricing, and technical issues, they are really intertwined. For example, some potential competitors from the long distance industry that currently pay access charges (see Introduction for explanation) for connecting to the local network have devised a scheme for avoiding those charges. They reason that they will stop purchasing "access" from the local incumbents, and will instead buy some unbundled service elements which they will then re-bundle into the same access service. They

expect to avoid paying access fees, as a result, which could mean that they would no longer provide their fair share of the costs of the local network. This potentially lost revenue is needed in order to keep rates affordable and provide capital for upgrades and infrastructure deployment to all consumers. We object to this kind of mechanism, and suggest that a pricing plan be established that forces ALL competitors to pay a fair share of the costs of the local network.

IV. The Competing Interests and Theories

A. TSLRIC and Other Examples

New entrants to the local telephone industry are urging the FCC to mandate that they pay only a small amount for interconnection. They are urging the FCC to use the interconnection proceeding to "jump start" competition by mandating a formula for interconnection that lets them plug in for what they contend is just the extra cost they add to the network. The theory is often referred to as "incremental pricing" or "long-run incremental cost" (LRIC).

The logic they use is that the incumbent has already incurred those costs, or would have incurred them whether or not the competitor interconnects, so the incumbent should have to pay them. Some entrants go so far as to say that they should pay only the forward-looking incremental costs of interconnection--that they should not even be responsible for costs incurred by the incumbent in the past that make the current or future interconnection possible. This is called total-service, long-run incremental costs, or "TSLRIC."

These suggestions would bring more competitors into the local market, but the competition would be induced by regulation, not by the market. This would prove to be a further disincentive to facilities based competition and is exactly the result the legislation was attempting to avoid. LRIC and TSLRIC give competitors a false economy, allowing them to cannibalize the public network. Ratepayers and shareholders alike have invested in the existing public network. If new entrants want to use it, they should pay a fair price for it.

B. Fully-distributed Costs

The Act calls for new competitors to pay the existing telephone companies their cost plus a reasonable profit for connection to the network. In our vision of the competitive future, those who want to connect to the local telephone company to offer competing services -- local, basic or advanced -- should be allowed to do so at a wholesale rate, while at the same time paying (1) a fair share of the cost of building, maintaining and upgrading the public network; and (2) paying for any unique, one-time costs associated with the reconfiguration of the local network to accommodate competition.

The incumbent local telephone providers will sell their services at both retail and wholesale prices, bundled and unbundled, as their various customers require. Some customers, in turn, will re-package and re-sell the services, and others will combine them with elements of their own networks to create still other services. All of these sales will be sources of income for the

local company, and all will rely on the company's already-sunk investments, their ongoing operating expenditures, and their current capital investments for upgrades in the infrastructure.

In this scenario, the idea of separating out and charging only "incremental costs" for the "wholesale" sales would not make any sense, and would skew the industry's economics in favor of the wholesalers' services. While this may initially look like a good thing for competition, it would be a false and short-lived windfall. It would force customers of the universal public network to subsidize customers of new entrants, even though few of these entrants have plans to offer ubiquitous service themselves. It would discourage new capital investment by incumbent providers, or encourage that investment to move to high-competition, high-density areas. The 95% telephone penetration rate, one of our nation's greatest economic and social assets, would slowly leach away.

C. Stand-Alone Costs and Similar Theories

A few people have suggested that a good way to determine a fair price for interconnection is to figure out how much it would cost the new entrants to get the same level of service if they DIDN'T use the public network, and charge them just under that amount for use of the public network. What is intriguing about this suggestion is that it allows the incumbent providers to realize the full, true market value of their networks. It would also mean that consumers and workers would likely not have to bear any of the costs of the transition to competition. However, it is unclear if this model would allow true competition to develop at a rapid enough pace or provide adequate incentives for competitors to enter the market.

V. Keeping Our Eyes On the Prize

When exploring the interconnection issue, it is easy to get drawn into the quest for a competitive marketplace at any price, and to forget that competition is a means to an end. Congress was very explicit that the goal of the Telecommunications Act of 1996 was to promote the deployment of advanced networks and services at reasonable rates for all consumers: competition is the means to that end. In seeking to reach that goal we urge regulators to promulgate rules that achieve the following three objectives.

A. Infrastructure Development

Any jurisdictional or pricing decisions by the FCC should recognize the historical compact of the subsidy system of the past and accommodate the imbedded investment of the local public telecommunications infrastructure. Decisions should be made by those most familiar with the local infrastructure and the needs of consumers, in forums where consumers can get involved. It would be best if decision-makers were in a good position to ascertain the overall quality of the public network and service, so that they could react quickly if public facilities begin to deteriorate.

It is critical that the incumbent providers have adequate incentives to continue to invest and upgrade the existing network. Despite the promise of competition, for many high cost areas

and for many basic service customers the existing local telephone company is likely to remain the sole provider of services for several years. For those with disabilities the ability of the existing telephone company to provide modern, accessible services could be in jeopardy, particularly for services requiring costly adjustments to the existing network. In pricing, the FCC should assure that incumbent providers are compensated for the incremental costs associated with interconnection, and that they also be allowed to earn a reasonable profit on their interconnection services. That profit should consider both the forward costs of providing interconnection, and the investments already made in their public networks.

B. Universal Service

As the Telecommunications Act of 1996 was written and debated, one theme ran through the comments of nearly all the parties: universal service must be maintained, and possibly extended. This means that we can't sacrifice universal service in the medium-term for competition in the long term. We must maintain universal service throughout the transition to competition. In this regard, it is important to remember that although our telephone penetration is high, it is not universal. And our overall 95% penetration rate hides the fact that penetration in some counties is still less than 90%, indeed, in a few areas, less than 80%. Rural and low-income residents are disproportionately represented among the poorly-served. Making adjustments to the network to increase access to persons with disabilities is costly. Now is the time to redouble our efforts to connect everyone to the network, not to risk losing some subscribers.

It is reasonable to expect that our definition of universal service will accelerate in the coming decade, based upon the increasing necessity of telecommunications service for functioning productively in this society. Section 706 of the Telecommunications Act calls for affordable access to a switched broadband network by every household with the capacity to generate and receive voice, data and video. Without adequate compensation for use of the existing telecommunications network, this goal may never be reached for all consumers.

To assure that the public network is universally available, and that it provides a level of service that matches the needs of society, we cannot allow new competitors' access to the public switched network at artificially low prices. This will lure investment away from the public network and discourage long-term solutions to meet the needs of tomorrow's consumers. Competitors must pay their fair share of total network costs, and competition must be based upon who can best fulfill market niches, not on who can receive subsidies in the name of competition.

C. Affordable Rates

For some customers, the public network has become so indispensable that the "elasticity of demand" is very low--they will pay whatever it costs. We do not believe that this is a good argument for letting costs rise indiscriminately. There is a social value to keeping rates affordable, because it encourages communication and thus supports our economic and social systems. Avoiding rate shock has long been a goal of most state regulators, and we should not sacrifice this goal in our move to competition.

VI. Recommendations

The goal of the Telecommunications Act of 1996 was to promote the development and deployment of advanced networks and services at reasonable rates to all consumers. Interconnection rules must send the right economic signals if consumers are to receive the benefits of this goal. We urge the FCC to consider the following recommendations in order to assure that all consumers, including those benefiting most from competition and those who may be left vulnerable, will enjoy access to affordable services. An important principle to achieve this goal is that all of the players in the telecommunications industry, new and more established companies serving rural and urban areas, should enjoy appropriate incentives to deploy advanced networks and services.

- The FCC and the states should also act to assure that new interconnection agreements include provisions to adequately sustain national goals for universal service and allow all consumers access to advanced services at affordable rates.
- In crafting rules for interconnection, the FCC should measure those rules against the objective of accelerating the universal deployment of advanced infrastructure as defined in Section 706 of the Act.
- In order to protect the interests of the public, and to preserve universal and affordable access to telecommunications services, the Commission and the states should assure that the charges included within the interconnection agreements include a fair share of the maintenance of a robust local telecommunications infrastructure. Without this assurance, the goal contained in Section 706 of the Telecommunications Act of providing high capacity, two-way communication networks as part of universal service could be lost.
- The FCC and the states should assure that the cost of interconnection and transforming the local network are covered by those new competitors who are seeking interconnection and not the local rate payer.
- The Commission should recognize and incorporate the process of reaching interconnection agreements as suggested in the Act using negotiations between local phone companies and potential competitors with state-based arbitration where necessary.
- Oversight of the interconnection process should take place primarily at the state level, where historically regulators have been able to balance the competing interests of competitors and local companies, without rates skyrocketing for local service.